

The Role of Chinese Financial Institutions in Promoting Sustainable Investment under the One Belt One Road Initiative

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Abstract

Chinese financial institutions are playing an increasingly important role in Chinese companies' investment overseas in the context of China's One Belt One Road Initiative (OBOR). While the financial support is flowing under OBOR, one concern is the management of environmental and social risks by Chinese financial institutions, particularly in countries with weak environmental governance. Questions have been raised on whether Chinese financial institutions are properly incorporating social and environmental risk into their investment overseas, and on the extent to which the project cycle is governed by financial institutions in a transparent and accountable manner. The integration of environmental, social considerations into its business operations and lending practices, is pivotal to embrace the sustainable development of Chinese foreign investment in the long-term. Few scholars have generally examined Chinese financial institutions' social and environmental governance of their overseas financed projects during OBOR construction. This paper fills this gap by analyzing the role of financial institutions in promoting sustainable investment. Beyond scholarly contributions, this paper has practical policy implications. It provides a better understanding on how to promote the development of Chinese financial institutions' environmental and social protection frameworks and the inclusion of environmental and social considerations into their lending and investment policies. The paper first outlines the relationship between environmental and social risks with Chinese financial institutions and advocates the necessity to develop green finance in ensuring that China's overseas investment is made in a manner that is green, inclusive, and accountable. The paper further introduces Chinese and Chinese-led financial institutions participating in OBOR and China's policy development of sustainable lending and investment. Through comparing the environmental and social protection framework between Chinese financial institutions and multilateral financial institutions, the paper proposes policy and management suggestions to promote China's sustainable financial investment in the future.

Keywords: *OBOR, Environmental and Social Risks, Chinese Financial Institutions, Green Finance*